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American Institute of Certified Public Accountants. Accounting and Review Services Committee

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EXPOSURE DRAFT

PROPOSED STATEMENT ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES

REPORTING ON PERSONAL FINANCIAL STATEMENTS INCLUDED IN PERSONAL FINANCIAL PLANS

DECEMBER 18, 1985

**Prepared by the AICPA Accounting and Review Services Committee
For comment from persons interested in accounting and review services**

**Comments should be received by May 15, 1986, and addressed to
AICPA Auditing Standards Division, File 2050
1211 Avenue of the Americas, New York, N.Y. 10036-8775**



American Institute of Certified Public Accountants

1211 Avenue of the Americas, New York, New York 10036 (212) 575-6200

December 18, 1985

An exposure draft of a proposed Statement on Standards for Accounting and Review Services entitled Reporting on Personal Financial Statements Included in Personal Financial Plans accompanies this letter.

Accountants are increasingly providing their clients with personal financial planning services that result in written personal financial plans that may contain historical personal financial statements. Statement on Standards for Accounting and Review Services (SSARS) 1 requires, as a minimum, that accountants comply with the standards established for compilation services when they submit unaudited historical financial statements of a nonpublic entity to the client or others.

A written personal financial plan is prepared to assist a client and a client's advisers in developing the client's personal financial goals and objectives. The purpose of the personal financial statements included in such a plan is solely to assist in the formulation of the plan. For that reason, the financial statements may omit disclosures required by generally accepted accounting principles (GAAP) and reflect other departures from GAAP (or from an established comprehensive basis of accounting other than GAAP) such as using measurement principles that differ from GAAP for some items in the financial statements.

The question dealt with in this exposure draft is whether an accountant who provides a client with a written personal financial plan including such statements should comply with the requirements of SSARS 1. This exposure draft would provide an optional exemption from compliance with SSARS 1.

In developing guidance, the committee has a continuing obligation to consider the relationship between the cost imposed by a standard and the benefits reasonably expected to be derived from applying it and would particularly appreciate comments on that aspect of the exposure draft. Responses should be sent to the AICPA Accounting and Review Services Committee, File 2050, in time to be received by May 15, 1986. Written comments on the exposure draft will become part of the public record of the Accounting and Review Services Committee and will be available for public inspection at the offices of the American Institute of Certified Public Accountants after June 15, 1986.

Sincerely,

Stephen D. Holton
Chairman
Accounting and Review
Services Committee

Alan J. Winters
Director, Auditing Research

SUMMARY

This proposed Statement provides the accountant with an optional exemption from the requirements of Statement on Standards for Accounting and Review Services 1, as amended, for personal financial statements included in a written personal financial plan prepared by the accountant when such statements and the related plan have been developed solely to assist a client and a client's advisers in achieving the client's personal financial goals and objectives and for no other purpose. In those circumstances, the proposed Statement would require the accountant to issue a special form of written report and would specify the information required in that report.

This exposure draft has been sent to

- *practice offices of CPA firms*
 - *members of AICPA Council and technical committees*
 - *state society and chapter presidents, directors, and committee chairmen*
 - *organizations concerned with regulatory, supervisory, or other public disclosure of financial activities*
 - *persons who have requested copies*
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**PROPOSED STATEMENT ON STANDARDS FOR
ACCOUNTING AND REVIEW SERVICES**

**REPORTING ON PERSONAL FINANCIAL STATEMENTS
INCLUDED IN PERSONAL FINANCIAL PLANS**

1. This statement provides an exemption from Statement on Standards for Accounting and Review Services (SSARS) 1, as amended, for personal financial statements included in written personal financial plans prepared by an accountant and specifies the form of written report required under the exemption. However, this statement does not preclude an accountant from complying with SSARS 1 in such engagements.

2. Since the purpose of such financial statements is solely to assist in the development of the client's personal financial plan, they frequently omit disclosures required by generally accepted accounting principles (GAAP) and reflect departures from GAAP or from an established comprehensive basis of accounting other than GAAP.

3. An accountant may submit a written personal financial plan containing unaudited historical personal financial statements to a client without complying with the requirements of SSARS 1, as amended, when the following conditions exist.

a. The accountant establishes an

understanding with the client, preferably in writing, that the financial statements —

- (i) Will be used solely to assist the client and the client's advisers to develop and achieve the client's personal financial goals and objectives and
- (ii) Will not be used to obtain credit or for any other purposes.

b. Nothing comes to the accountant's attention during the engagement that would cause the accountant to believe that the financial statements will be used to obtain credit or for any other purposes.

4. An accountant using the exemption provided by this statement should issue a written report stating that the unaudited financial statements —

- a. Are designed to help develop the financial plan.
- b. Are not intended to present the client's net worth (or changes in net worth) in accordance with GAAP.

c. Should not be relied on to obtain credit or for any other purposes because the financial statements may be incomplete.

d. Have not been audited, reviewed, or compiled.

5. The following is an illustration of an appropriate report when an accountant uses the exemption provided by this statement.

I (we) have not audited, reviewed or compiled the accompanying Statement of Financial Condition of X, as of December 31, 19XX, which was prepared solely to help you develop your personal financial plan. The statement is not intended to present your financial condition in accordance with generally accepted accounting principles and may be incomplete. Accordingly, it should not be relied on to obtain credit or for any other purposes.

6. Each of the personal financial statements should include a reference to the accountant's report.

EFFECTIVE DATE

7. This statement is effective on _____.